



The Pakistan Credit Rating Agency Limited

Rating Report

Askari Life Assurance Company Limited

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Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
07-Jul-2023	A (ifs)	-	Stable	Maintain	-
07-Jul-2022	A (ifs)	-	Stable	Maintain	-
31-Mar-2022	A (ifs)	-	Stable	Harmonize	-
14-Jul-2021	A-	-	Stable	Maintain	-
20-Jul-2020	A-	-	Stable	Initial	-

Rating Rationale and Key Rating Drivers

The IFS Rating of Askari Life Assurance Company Limited (the Company) continues to centrally factor in the strategic importance to, and expectation of support, if required, from its core sponsorship - Army Welfare Trust, both on an ongoing basis and in the event of distress. The Army Welfare Trust has an established presence in the insurance industry through Askari General Insurance. The Company faced a deficit but has made strides in profitability by growing revenue and expanding its presence in bancassurance. Despite incurring higher operational expenses and subsequent increased losses compared to the previous year, the Company's strong commitment to enhancing performance and adapting to market conditions instills confidence in its potential for sustained growth. The growth in Askari Life's gross premium written was substantially higher in CY22 at 95.3% YoY compared to the previous year, supported by both new business and renewal premium. Currently, Askari Life is only focusing on life business. Risk absorption capacity and capitalization levels are moderate. Any dilution therein has the comfort backing of the sponsors. Increase in market share along with converting underwriting losses into profitability remains crucial. Moreover, maintenance of adequate capital in wake of increasing business volumes and consequent support from sponsors would remain important.

Sustained improvement in the business and financial risk profile of the company in line with their relative positioning in the industry remain vital to the rating. Concurrently, the liquidity profile of the Company should continue to cushion the policyholder's liabilities. Growth in topline and underwriting profits remain essential

Disclosure

Name of Rated Entity	Askari Life Assurance Company Limited
Type of Relationship	Solicited
Purpose of the Rating	IFS Rating
Applicable Criteria	Methodology Rating Modifiers(Jun-22),Methodology Life Insurance Rating(Mar-23)
Related Research	Sector Study Life Insurance(Jun-22)
Rating Analysts	Faiqa Qamar faiqa.qamar@pacra.com +92-42-35869504



Profile

Legal Structure Askari Life Assurance Company Limited ("Askari Life" or the "Company") is a public listed entity on the Pakistan Stock Exchange with ticker "ALAC".
Background The Company was formerly known as East West Life Assurance Company Limited, which commenced its operations in February, 1993.
Operations Head office of the Company is located in Karachi, whereas Company operates in major cities of the country, with branches in Lahore, Islamabad and Karachi.

Ownership

Ownership Structure Askari Life is majorly owned by Army Welfare Trust (AWT), with a stake held of 66.6%. While East West Life Insurance Company Limited owns 19%. Remainder of the shareholding is free floated and held by individuals in public.
Stability Operations of AWT are well diversified, with involvement in Aviation, CNG, Agriculture, Manufacturing, Sugar, Lubricants, Real Estate, Security Solutions and other various sectors which provides stability to the ownership structure.
Business Acumen AWT was set up in 1971 by Pakistan Army under the 'Societies Registration Act' with the mandate of promoting the welfare of retired personnel of the Army and Shuhda through the creation of income and employment generating activities. The Trust is currently engaged in sugar, textile, real estate, banking, leasing, insurance, cement, and travel services.
Financial Strength Financial strength of the group is deemed to be strong, support being derived from its successful business ventures in multiple sectors.

Governance

Board Structure The board comprises of six non-executives, two independent and an executive director who is CEO of the Company. Three sub-committees are established by the board, which oversees the operations, namely: (i) Audit Committee (ii) Investment Committee (iii) Ethics, HR Remuneration & Nomination Committee.
Members' Profile Lieutenant General Naveed Mukhtar, HI (M) is an Armour officer. He is a graduate of Pakistan Military Academy; The Cavalry School, France; Command and Staff College Quetta; Joint Command and Staff College, Philippines; National Defense University, Pakistan; and The United States Army War College. He holds two master degrees in War Studies and Strategic Studies. The Lt. Gen has served as the Corps Commander of Karachi Corps, Colonel Commandant of Armored Corps and has also headed the Premier Intelligence Agency of Pakistan as the Director General of ISI.
Board Effectiveness During the year, four board meetings were held. Attendance of board members in these meetings remained high, including six non-executives, two independent and an executive director.
Financial Transparency The Auditors of the Company, RSM Awais Hyder Liaquat Nauman have provided an unqualified opinion on the financial statement of CY22.

Management

Organizational Structure Askari Life has a well-defined organogram, structured with reporting lines directed towards the Nomination Committee functioning with CEO.
Management Team The Company has a qualified and experienced management team. Mr. Jehanzeb Zafar, the CEO of the Company has been involved in the insurance sector for two decades. He is credited with the development of distribution and organizational strategy as Chief Strategy Officer at Adamjee Life Assurance Co. Ltd. He holds an MBA from City University London and certification in Strategy from Harvard Business School, USA. Mr. Jehanzeb along with COO - Mr. Azmatullah and Mr. Rehan Mobin, CFO of the Company carry out the decisions at a strategic level.
Effectiveness The board has three management committees, namely; Underwriting and Reinsurance Committee, Claim Settlement Committee; and Risk Management & Compliance Committee.
Claim Management System A detailed claim settlement guide is developed by Askari Life, with a core objective of smooth transition between different stages of the process. With the initiation of claim through the policyholder's request, a policy review is undertaken. Once the legitimacy of the claim is verified, a case is prepared and forwarded to the Head of Claims for approval.
Investment Management Function A comprehensive Investment Policy Statement (IPS) has been drafted by ALAC, which provides guidance in terms of investment decision-making. The Committee is chaired by Mr. Malik Riffat Mahmood. Air Vice Marshal Muhammad Athar Shamas (Retd), Jehanzeb Zafar and Rehan Mobin are remaining members of the Investment Committee. The meeting is held on a quarterly basis, in which the investment framework is discussed and investment decisions are conducted, in accordance with the IPS.
Risk Management Framework The Company has developed a robust risk management framework which establishes principles and standards for the management and control of all risks that may impact the Organization. The risk register captures all the risks that are currently impacting the Company or may have an impact in the future. It highlights the severity of the risk and controls in place for prevention. The risk register is updated regularly.

Business Risk

Industry Dynamics Life Insurance industry in Pakistan reported at PKR 370bln, indicating a notable growth of 28.5% YoY (CY21: PKR 288bln). Life Insurance Industry in Pakistan is dominated by public sector contributing 65% of Gross Premiums Written (GPW) during CY22. Net claims increased by 48.8% to PKR 270bln during CY22. Investment income of industry increased by 22.1% to PKR 126bln. Overall, higher GPW and improved investment income resulted in net profitability of PKR 17bln for CY22. Takaful industry plays a crucial role in the Islamic financial system, offering a diverse range of risk protection products and services that complement existing options for consumers.
Relative Position Askari Life Assurance Company is a small player in the life insurance industry, holds a market share of less than 1% as at CY22.
Persistency The Company's 1st year persistency stand at 48% (CY21: 63%) and 52% during 3MCY23, however, 2nd year persistency increase to 81% (CY21: 76%) and 73% during 3MCY23.
Revenue The Company has significantly increased its Gross Premium Written to PKR 1,302mln (CY21: PKR 835mln). Renewal of individual business showed a growth of significant 111% while group life business showed an increase of 14.7% as compared to the last year.
Profitability Loss ratio of the Company during CY22 decreased to 13.7% (CY21: 25.8%) and increased to 28.8% in 3MCY23. Expense ratio of the Company deteriorated slightly to 90.1% from 96.1% during CY22 and 86.1% during 3MCY23. Company's net loss for the period CY22 stood at PKR 276mln (CY21: PKR 242mln) and for 3MCY23 stood at PKR 62mln (3MCY22: PKR 52mln).
Investment Performance The Investment and other income (including return on bank deposits) for the period ended CY22 is PKR 51mln 3MCY22 is PKR 51mln as compared to PKR 18.9mln for the same period of CY22. The Company's investment portfolio stood at PKR 1,431mln as compared to PKR ~1,021 as at end-CY21 and currently it stands at PKR 1,571mln during 3MCY23.
Sustainability Going forward, the Company envisages high growth targets with focus through multiple avenues. Furthermore, strengthening of banking network along with expansion of agent network.

Financial Risk

Claim Efficiency The Company has improved its claims outstanding days to 325 days (CY21: 316 days) and 721 days as at end 3MCY23. The outstanding claims reduced from PKR 134mln to PKR 132mln while net insurance claims become PKR 148mln in CY22 (CY21: PKR 155mln).
Re-Insurance Askari Life has Reinsurance arrangements with Hannover Re (AA- by S&P) and Munich Re (AA- by S&P).
Cashflows & Coverages The Company has maintained sufficient amount of liquid assets. Total liquid assets parked with the Company stand at PKR 1,431mln during CY22 (CY21: PKR 1,021mln) and PKR 1,571mln as at end 3MCY23. Liquid ratio of the Corporation comparing liquid assets to outstanding claims stood at 10.8 during CY22 (CY21: 7.5), and 9.4 as at end 3MCY23. Ordinary share capital of the Corporation remain at PKR 1.5bln.
Capital Adequacy Life has an equity base of PKR 359mln during CY22 (CY21: PKR 306mln) and PKR 398mln as at end-3MCY23. The Company witnessed increase in equity due to increase in advance against equity. Advance against equity stood at PKR 430mln (CY21: PKR 100mln) and PKR 530mln during 3MCY23.



Askari Life Assurance Company Limited
Listed Public Limited

Mar-23 **Dec-22** **Mar-22** **Dec-21**
3M **12M** **3M** **12M**

A BALANCE SHEET

1 Investments	1,571	1,431	1,053	1,021
2 Insurance Related Assets	60	100	48	55
3 Other Assets	85	60	50	45
4 Fixed Assets	28	33	30	34
Total Assets	1,744	1,624	1,181	1,155
5 Underwriting Provisions	-	-	-	-
6 Insurance Related Liabilities	1,239	1,164	756	771
7 Other Liabilities	101	87	57	58
8 Borrowings	6	14	12	18
Total Liabilities	1,346	1,265	825	847
Equity	398	359	353	306

B INCOME STATEMENT

1 Gross Premium Written	417	1,302	-	835
2 Net Insurance Premium	292	1,078	204	600
3 Underwriting Expenses	(249)	(878)	(187)	(545)
Underwriting Results	43	200	17	55
4 Management Expenses	(73)	(242)	(53)	(187)
5 Investment Income	55	131	22	65
6 Other Income / (Expense)	(2)	(21)	(1)	(11)
7 Net Change in Reserve for Policyholders' Liabilities	(84)	(343)	(38)	(164)
Profit Before Tax	(62)	(275)	(52)	(242)
8 Taxes	(0)	(1)	(0)	(0)
Profit After Tax	(62)	(276)	(52)	(242)

C RATIO ANALYSIS

1 Profitability				
Loss Ratio (Net Insurance Claims / Net Insurance Premium)	28.8%	13.7%	13.2%	25.8%
Combined Ratio (Loss Ratio + Expense Ratio)	110.4%	103.9%	117.6%	121.9%
2 Investment Performance				
Investment Income / Operating Profit	223.3%	146.9%	-159.0%	-96.9%
3 Liquidity				
(Liquid Assets - Borrowings) / Outstanding Claims	9.44	10.76	8.38	7.46
4 Capital Adequacy				
Liquid Investments / Equity	3.94	3.98	2.98	3.33

Insurer Financial Strength (IFS) Rating

Insurer Financial Strength (IFS) rating reflects forward-looking opinion on relative ability of an insurance company to meet policy holders and contractual obligations.

Scale	Definition
AAA (ifs)	Exceptionally Strong. Exceptionally Strong capacity to meet policy holders and contract obligations. Risk factors are minimal, and the impact of any adverse business and economic factors is expected to be extremely small.
AA++ (ifs) AA+ (ifs) AA (ifs)	Very Strong. Very Strong capacity to meet policy holders and contract obligations. Risk factors are very low, and the impact of any adverse business and economic factors is expected to be very small.
A++ (ifs) A+ (ifs) A (ifs)	Strong. Strong capacity to meet policy holders and contract obligations. Risk factors are low, and the impact of any adverse business and economic factors is expected to be small.
BBB++ (ifs) BBB+ (ifs) BBB (ifs)	Good. Good capacity to meet policy holders and contract obligations. Risk factors are moderate, and the impact of any adverse business and economic factors is expected to be manageable.
BB++ (ifs) BB+ (ifs) BB (ifs)	Modest. Modest capacity to meet policy holders and contract obligations. Though positive factors are present, risk factors are relatively high, and the impact of any adverse business and economic factors is expected to be significant.
B++ (ifs) B+ (ifs) B (ifs)	Weak. Weak capacity to meet policy holders and contract obligations. Risk factors are high, and the impact of any adverse business and economic factors is expected to be very significant.
CCC (ifs) CC (ifs) C (ifs)	Very Weak. Very weak capacity to meet policy holders and contract obligations. Risk factors are very high, and the impact of any adverse business and economic factors may lead to insolvency or liquidity impairment
D (ifs)	Distressed. Extremely weak capacity with limited liquid assets to meet policy holders and contract obligations, or subjected to some form of regulatory intervention or declared insolvent by the regulator.

<p>Outlook (Stable, Positive, Negative, Developing) Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. 'Stable' outlook means a rating is not likely to change. 'Positive' means it may be raised. 'Negative' means it may be lowered. Where the trends have conflicting elements, the outlook may be described as 'Developing'.</p>	<p>Rating Watch Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the respective opinion.</p>	<p>Suspension It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.</p>	<p>Withdrawn A rating is withdrawn on a) termination of rating mandate, b) cessation of underlying entity, c) the debt instrument is redeemed, d) the rating remains suspended for six months, e) the entity/issuer defaults., or/and f) PACRA finds it impractical to surveil the opinion due to lack of requisite information.</p>	<p>Harmonization A change in rating due to revision in applicable methodology or underlying scale.</p>
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Surveillance. Surveillance on a publicly disseminated rating opinion is carried out on an ongoing basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening.

Note. This scale is applicable to the following methodology(s): General Insurance & Takaful Operator, Life Insurance & Family Takaful Operator.

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Rating Team Statements

(1) Rating is just an opinion about the creditworthiness of the entity and does not constitute recommendation to buy, hold or sell any security of the entity rated or to buy, hold or sell the security rated, as the case may be | Chapter III; 14-3-(x)

2) Conflict of Interest

i. The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(j)

ii. PACRA, the analysts involved in the rating process and members of its rating committee, and their family members, do not have any conflict of interest relating to the rating done by them | Chapter III; 12-2-(e) & (k)

iii. The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F; d-(ii)] Explanation: for the purpose of above clause, the term "family members" shall include only those family members who are dependent on the analyst and members of the rating committee

Restrictions

(3) No director, officer or employee of PACRA communicates the information, acquired by him for use for rating purposes, to any other person except where required under law to do so. | Chapter III; 10-(5)

(4) PACRA does not disclose or discuss with outside parties or make improper use of the non-public information which has come to its knowledge during business relationship with the customer | Chapter III; 10-7-(d)

(5) PACRA does not make proposals or recommendations regarding the activities of rated entities that could impact a credit rating of entity subject to rating | Chapter III; 10-7-(k)

Conduct of Business

(6) PACRA fulfills its obligations in a fair, efficient, transparent and ethical manner and renders high standards of services in performing its functions and obligations; | Chapter III; 11-A-(a)

(7) PACRA uses due care in preparation of this Rating Report. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA does not, in every instance, independently verifies or validates information received in the rating process or in preparing this Rating Report | Clause 11-(A)(p).

(8) PACRA prohibits its employees and analysts from soliciting money, gifts or favors from anyone with whom PACRA conducts business | Chapter III; 11-A-(q)

(9) PACRA ensures before commencement of the rating process that an analyst or employee has not had a recent employment or other significant business or personal relationship with the rated entity that may cause or may be perceived as causing a conflict of interest; | Chapter III; 11-A-(r)

(10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)

(11) PACRA promptly investigates, in the event of a misconduct or a breach of the policies, procedures and controls, and takes appropriate steps to rectify any weaknesses to prevent any recurrence along with suitable punitive action against the responsible employee(s) | Chapter III; 11-B-(m)

Independence & Conflict of interest

(12) PACRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on PACRA's opinions or other analytical processes. In all instances, PACRA is committed to preserving the objectivity, integrity and independence of its ratings. Our relationship is governed by two distinct mandates i) rating mandate - signed with the entity being rated or issuer of the debt instrument, and fee mandate - signed with the payer, which can be different from the entity

(13) PACRA does not provide consultancy/advisory services or other services to any of its customers or to any of its customers' associated companies and associated undertakings that is being rated or has been rated by it during the preceding three years unless it has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities; | Chapter III; 12-2-(d)

(14) PACRA discloses that no shareholder directly or indirectly holding 10% or more of the share capital of PACRA also holds directly or indirectly 10% or more of the share capital of the entity which is subject to rating or the entity which issued the instrument subject to rating by PACRA; | Reference Chapter III; 12-2-(f)

(15) PACRA ensures that the rating assigned to an entity or instrument is not be affected by the existence of a business relationship between PACRA and the entity or any other party, or the non-existence of such a relationship | Chapter III; 12-2-(i)

(16) PACRA ensures that the analysts or any of their family members shall not buy or sell or engage in any transaction in any security which falls in the analyst's area of primary analytical responsibility. This clause shall, however, not be applicable on investment in securities through collective investment schemes. | Chapter III; 12-2-(l)

(17) PACRA has established policies and procedure governing investments and trading in securities by its employees and for monitoring the same to prevent insider trading, market manipulation or any other market abuse | Chapter III; 11-B-(g)

Monitoring and review

(18) PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the issuer, the security arrangement, the industry etc., is disseminated to the market, immediately and in effective manner, after appropriate consultation with the entity/issuer; | Chapter III | 18-(a)

(19) PACRA reviews all the outstanding ratings on semi-annual basis or as and when required by any creditor or upon the occurrence of such an event which requires to do so; | Chapter III | 18-(b)

(20) PACRA initiates immediate review of the outstanding rating upon becoming aware of any information that may reasonably be expected to result in downgrading of the rating; | Chapter III | 18-(c)

(21) PACRA engages with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument; | Chapter III | 18-(d)

Probability of Default

(22) PACRA's Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e, probability). PACRA's transition studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be obtained from PACRA's Transition Study available at our website. (www.pacra.com). However, actual transition of rating may not follow the pattern observed in the past | Chapter III | 14-(F-VII)

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